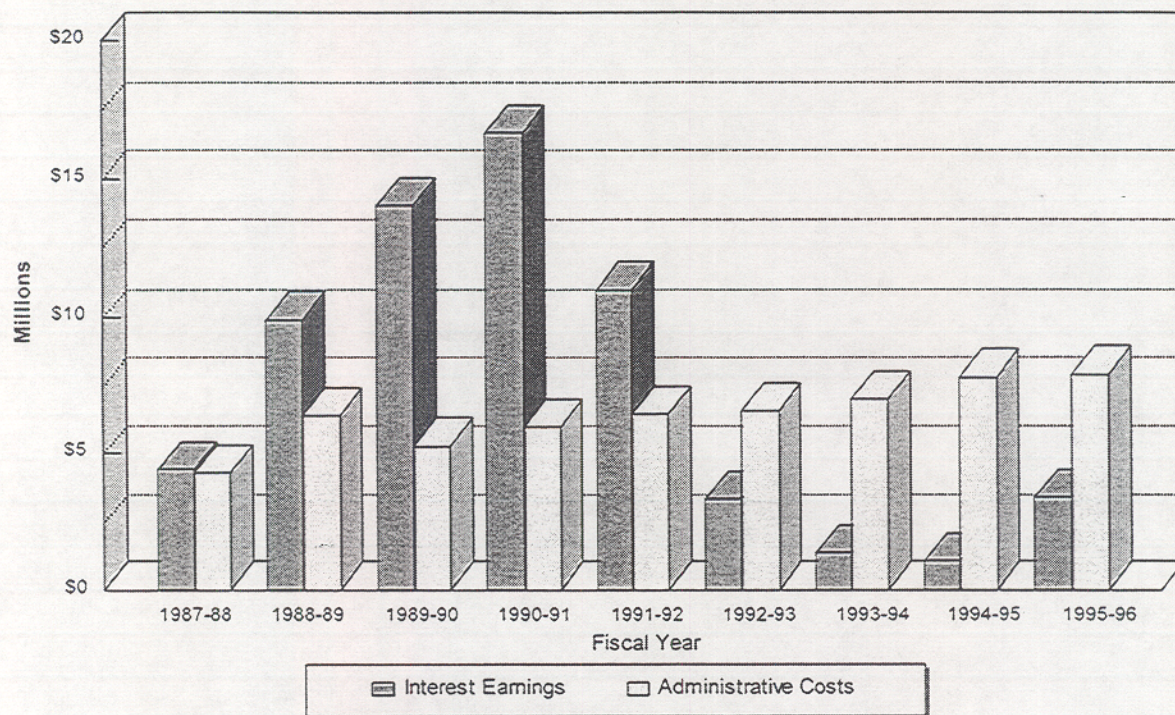


Interest Earnings vs. Administrative Cost



Fiscal Year	Interest Earnings	Administrative Costs
1987-88	\$4,412,202	\$4,313,789
1988-89	\$9,900,102	\$6,383,078
1989-90	\$13,999,243	\$5,290,218
1990-91	\$16,648,961	\$5,976,164
1991-92	\$10,973,250	\$6,437,556
1992-93	\$3,346,419	\$6,574,934
1993-94	\$1,342,554	\$6,995,833
1994-95	\$1,042,107	\$7,794,305
1995-96	\$3,396,422	\$7,908,967

Premium Comparison and Program Savings

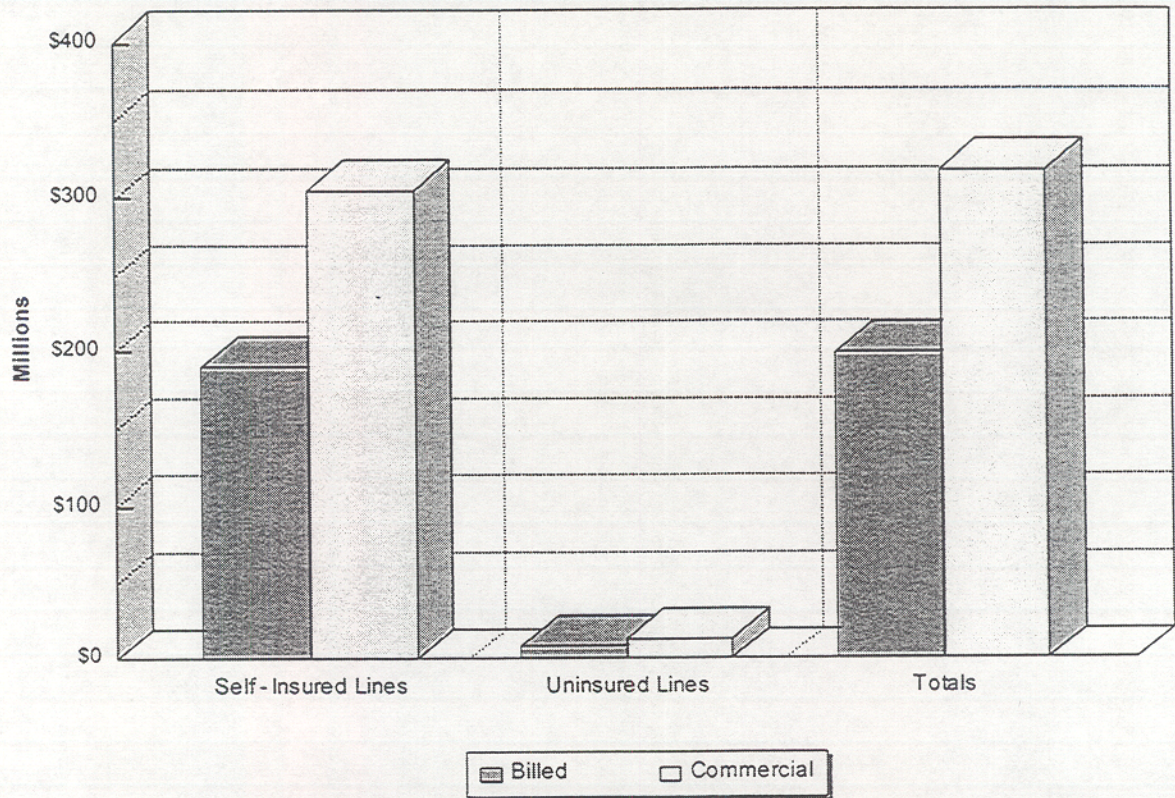
Shown in the following chart are the Office of Risk Management's Billed Premiums for Fiscal Year 1995-96, Equivalent Commercial Premiums and the indicated statewide savings by line of coverage. In Fiscal Year 1995-96 the Billed Premiums did not include deficit amounts needed to recoup uncollected premiums from prior years. Again in Fiscal Year 1995-96, ORM was not allowed by the Legislature to collect 100% of the Budgeted Premiums. The Commercial Premiums do not include any deficit amounts. For comparison purposes on this chart, we have used the billed premium amounts as opposed to the budgeted recommendations that have been used in the past.

Self Insured Coverages	Billed Premium	Equivalent Commercial Premium	Program Savings
WORKERS' COMPENSATION	\$43,796,985	\$50,480,121	\$6,683,136
W.C. MARITIME	819,401	1,300,750	481,349
GENERAL LIABILITY	22,915,028	30,203,239	7,288,211
PERSONAL INJURY LIABILITY	11,600,234 *	11,457,277	(142,957)
AUTO LIABILITY	9,086,548	19,157,860	10,071,312
AUTO PHYSICAL DAMAGE	1,129,607	3,820,479	2,690,872
PROPERTY DAMAGE	12,986,307	26,385,625	13,399,318
BOILER & MACHINERY	2,032,312	4,139,546	2,107,234
BONDS	247,720	831,653	583,933
CRIME	73,893	1,142,055	1,068,162
MARINE	1,235,136	1,572,965	337,829
AVIATION	520,616	844,365	323,749
MEDICAL MALPRACTICE	44,090,978	49,415,888	5,324,910
ROAD & BRIDGE HAZARD	35,524,857	101,568,915	66,044,058
MISCELLANEOUS TORT *	4,786,713 *	2,165,127	(2,621,586)
Self Insured Sub-Totals	\$190,846,335	\$304,485,865	\$113,639,530
Uninsured Coverages			
MEDICAL MALPRACTICE	\$1,521,035	\$2,030,754	\$509,719
ROAD & BRIDGE HAZARD	6,740,098	10,241,423	3,501,325
OTHER UNINSURED	586,160	846,932	260,772
Uninsured Sub-Totals	\$8,847,293	\$13,119,109	\$4,271,816
GRAND TOTALS	\$199,693,628	\$317,604,974	\$117,911,346

* The commercial equivalent does not include the deficit reduction amount. If we added the deficit amount to the equivalent commercial premium, it would be greater than the self insured premium.

Premium Comparison and Program Savings

ORM PREMIUMS vs. COMMERCIAL EQUIVALENTS
SUMMARY

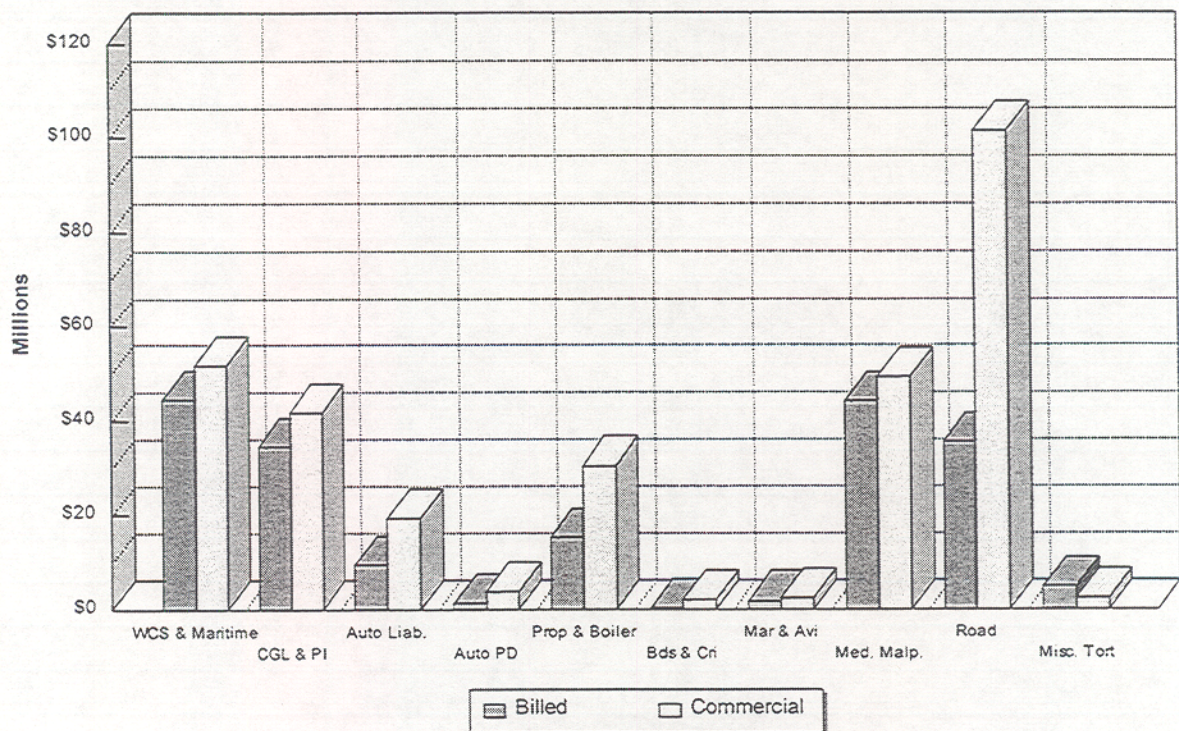


Coverage	Billed	Commercial	Savings
Self-Insured Lines	\$190,846,335	\$304,485,865	\$113,639,530
Uninsured Lines	\$8,847,293	\$13,119,109	\$4,271,816
Totals	\$199,693,628	\$317,604,974	\$117,911,346

* The commercial equivalent does not include all deficit reduction amounts. If we added all deficit amounts to the equivalent commercial premium, the savings would be greater.

Premium Comparison and Program Savings

ORM PREMIUMS vs. COMMERCIAL EQUIVALENTS SELF-INSURED LINES

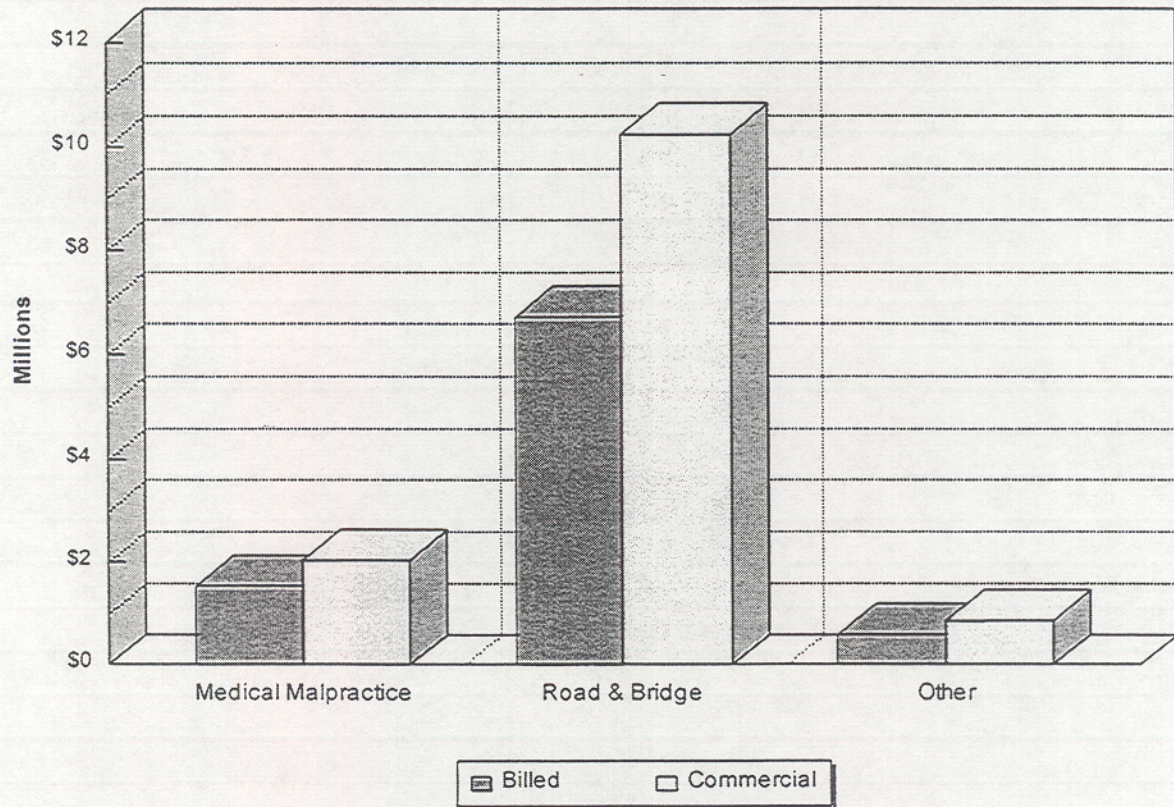


Coverage	Billed	Commercial	Savings
WCS & Maritime	\$44,616,386	\$51,780,871	\$7,164,485
CGL & PI	\$34,515,262	\$41,660,516	\$7,145,254
Auto Liability	\$9,086,548	\$19,157,860	\$10,071,312
Auto Physical Damage	\$1,129,607	\$3,820,479	\$2,690,872
Property & Boiler/Mach	\$15,018,619	\$30,525,171	\$15,506,552
Bonds & Crime	\$321,613	\$1,973,708	\$1,652,095
Marine & Aviation	\$1,755,752	\$2,417,330	\$661,578
Medical Malpractice	\$44,090,978	\$49,415,888	\$5,324,910
Road & Bridge	\$35,524,857	\$101,568,915	\$66,044,058
Misc. Tort	\$4,786,713	\$2,165,127	(\$2,621,586) *

* The commercial equivalent does not include the deficit reduction amount. If we added the deficit amount to the equivalent commercial premium, it would be greater than the self insured premium.

Premium Comparison and Program Savings

ORM PREMIUMS vs. COMMERCIAL EQUIVALENTS UNINSURED LINES



Coverage	Billed	Commercial	Savings
Medical Malpractice	\$1,521,035	\$2,030,754	\$509,719
Road & Bridge	\$6,740,098	\$10,241,423	\$3,501,325
Other	\$586,160	\$846,932	\$4,011,044

Premium Comparison and Program Savings

The following reflects a brief explanation of the method used to develop the equivalent commercial premiums indicated in the graphics depicting premium comparison.

Automobile Liability and Automobile Physical Damage

Since the majority of State vehicles are garaged in the Baton Rouge area, we used the commercial automobile rate found in the commercial lines manual for the Baton Rouge territory. This is the industry accepted manual used by most insurance companies. The manual rate for coverage equal to that provided by the self-insured retention was multiplied times the number of vehicles. Where a fleet discount was applicable, the premium was discounted by the appropriate amount. To this we added the premium of the commercial policy which is excess over the self-insured retention. This premium was that quoted by the low, successful bidder determined in the competitive bid process. The total gives an estimated premium if the coverage were 100% commercially insured.

Blanket Property

Commercially insured property premiums are based on rates assigned by the Property Insurance Association of Louisiana (PIAL). Each building has its own rate assigned by PIAL. At present, ORM is unable to compute a commercial comparison using the current rates. However, prior to July 1, 1986, the old rates for each building were used to compute the self-insured premiums and rates were in the computerized property system maintained on the DOA Office of Information Services mainframe. ORM computed the State rate by dividing the State's values insured as of July 1, 1985 by 100. That result was then divided into the premium for July 1, 1985. This gave a rate per \$100 of value. To compute the commercial comparison, ORM has used this last State rate for the State's buildings and added to that the commercial rates for coverages added since Fiscal Year 1985-86. This rate was used to compute the premium for all State property excluding the Superdome and the Cajundome. For the latter two buildings we used the current PIAL rate and computed the commercial premium for coverages equivalent to the self-insured program. The premium derived from each of these three computations were added to determine the commercial comparison for the entire State's property values.

Premium Comparison and Program Savings

All Other Lines of Insurance

Insurance companies must file company rates with the Department of Insurance. The company rate includes the cost of claims expenses (a cost factor which is the same whether commercially insured or self-insured). The other component of the rate includes other administrative expenses not associated with claims, production costs, taxes, fees, licenses, and profit.

Annually, ORM's insurance consultant, Hargis P. Walker, advises ORM, based on a review of current rate filings, what percentage of premium is assigned on the claims and claim adjustment expense component and percentage of premium assigned for the other component. These percentages are used with the State's own claims costs and adjustment expenses to calculate the dollar amount of the commercial premium attributable to the portion which includes the general administrative expenses, production cost, taxes, fees, licenses, and profit.

To the sum of the premium for these two components is added the cost of excess. This total equals the cost for the 100% commercially insured coverage equivalent to that provided by the self-insurance program.

The self-insurance savings is usually found in the second component which includes profit. ORM does not make a profit, does not have to pay taxes, licenses or fees, nor do we charge production costs. ORM does have general administrative expenses.

Statement of Actuarial Opinion

STATEMENT OF ACTUARIAL OPINION

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To the Management of the Office of Risk Management (ORM), Division of Administration,
State of Louisiana:

We have examined the undiscounted reserves for unpaid loss and loss adjustment expense liabilities at June 30, 1996 underlying the reserves as presented by the Office of Risk Management, Division of Administration, State of Louisiana (ORM) in its June 30, 1996 financial package.

The scope of our review included all risk groups except the uninsured lines. The liabilities we reviewed were on a nominal (undiscounted) basis. The reserves stated by ORM adjusted to the basis of our review are as follows:

1. Total Loss & Expense Reserves for Reviewed and Non-Reviewed Risk Groups	\$1,172,030,971
2. Reserve for Non-Reviewed Risk Groups	\$61,261,344
3. Total of Reserves for Reviewed Risk Groups [(1) - (2)]	\$1,110,769,627

Our examination included the performance of independent projections of ORM's loss and loss adjustment expense liabilities and such other tests and procedures as we considered necessary under the circumstances. In making our examination, we relied upon ORM as to the accuracy and completeness of its loss and loss expense data and other related information provided to us.

Our independent estimates of the reserves are computed in accordance with commonly accepted actuarial methods on an ultimate undiscounted basis and are based upon actuarial assumptions which are reasonable given the coverages provided and the information available. Our estimates make no provision for either the extraordinary future emergence of new classes of losses or losses which are not yet quantifiable. We have not anticipated any contingent liabilities that may exist in the event that any of the companies providing excess insurance might be unable to meet their obligations to ORM under existing excess insurance agreements.

Due to the inherent uncertainty associated with actuarial projections of future contingent events, it is possible that the actual future payments associated with the disposition of current loss and loss adjustment expense liabilities could prove to be materially different from the estimated amounts underlying the reserves in the financial package. In particular, there is significantly greater than customary uncertainty associated with the liability lines of business because of recent changes in the case reserving procedures used by LORM and the laws regarding claims against the State.

*Tillinghast -
Towers Perrin*

Statement of Actuarial Opinion

STATEMENT OF ACTUARIAL OPINION

Page 2 of 2

It should be noted that ORM's financial package indicates that cash assets are less than \$73 million and that total liabilities are greater than \$1.1 billion as of June 30, 1996.

In our calculations we have assumed that sufficient assets will become available on a timely basis such that ORM will continue to pay claims. In the event that sufficient assets do not become available on a timely basis, there may be a material impact upon our estimates.

As of June 30, 1996, ORM is holding \$61,261,344 as a reserve for unpaid loss and loss adjustment expense obligations arising from the uninsured lines. Review of the reserves for the uninsured lines is outside the scope of our analysis. We have, therefore, excluded the uninsured lines from the opinion stated in the next paragraph.

In our opinion, except for the uninsured lines risk group (as explained in the preceding paragraph), the amount stated of \$1,110,769,627 as the reserve for estimated loss and loss adjustment expense liabilities:

- (1) is fairly stated in accordance with sound actuarial principles; and
- (2) makes a reasonable provision for the unpaid loss and loss adjustment expense obligations associated with the lines reviewed.

This statement of opinion is solely for the use of and is only to be relied upon by public officials of the State of Louisiana who have access to and the ability to understand the data and operations of ORM. Such knowledge is required in order to place appropriate reliance on this opinion.

TILLINGHAST - TOWERS PERRIN COMPANY
1200 Riverplace Blvd., Suite 610
Jacksonville, Florida, 32207-1803
September 3, 1996

By: 

Michael Bayard Smith, FCAS, MAAA
1-904-391-1915

*Tillinghast -
Towers Perrin*